

**Osool & Bakheet Investment Company
(Saudi Closed Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia**

**Financial Statements & Auditor's Report
For the year ended 31 December 2016**

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia

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To,
The Shareholders
Osool and Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia

Auditor's report

Scope of Audit

We have audited the accompanying statement of financial position of **Osool and Bakheet Investment Company – Saudi Closed Joint Stock Company** as of 31 December 2016, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, together with accompanying notes from (1) to (29) which are an integral part of these financial statements. These financial statements are the responsibility of the company's management, and it have been prepared by the Company's management in accordance with the Saudi Company's regulations and presented to us together with all the necessary information and explanations that we requested, our responsibility is to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards applicable in the Kingdom of Saudi Arabia, which included examination of the accounting records and other audit procedures, that we considered necessary to obtain a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion

In our opinion, the financial statements referred to above as a whole are:

- Present fairly, in all material respects, the financial position of **Osool and Bakheet Investment Company – Saudi Closed Joint Stock Company** as of 31 December 2016 and the results of its operations and its cash flows for the year then ended and on the basis of the presentation and disclosure of information and explanations contained in the financial statements are in accordance with generally accepted accounting standards applicable in the Kingdom of Saudi Arabia appropriate to the Company's circumstances.
- Comply with the requirements of the companies' regulations and the Company's Articles of Association insofar as these relate to the preparation and presentation of the financial statements and are matching with the computer accounting system of the company.

Rodl Al-Tuwaijry C.P.A

Othman M. Al-Tuwaijry
License 184



Riyadh 29 Jumada II, 1438H
Corresponding to 28 March, 2017G

Osool & Bakheet Investment Company
 Saudi Closed Joint Stock Company
 Riyadh - Kingdom of Saudi Arabia
 Statement of Income
 For the Year Ended 31 December 2016

"All figures are stated in Saudi Riyals"

	Note	31/12/2016	31/12/2015
Revenues			
Fund Management fees		7,621,164	11,073,002
Performance fees		313,823	-
Brokerage revenues - net		1,104,811	2,000,305
Realized (losses)/ profits from investment in securities		(77,698)	497,029
Realized losses from investment in IPO & Qatari Trading Equity Fund		(146,470)	-
Portfolio Management fees		1,149,414	1,439,103
Custody fees		1,930,871	2,873,330
Services fees		6,071	9,794
Revenues of special commissions		543,486	237,464
Cash dividends received		69,585	3,794
Profit from Murabaha loans & interests on overdrafts from clients		2,532,671	2,434,237
Unrealized gains/(losses) from investments in Trading funds & Securities		414,530	(761,051)
Total revenues		15,462,258	19,807,007
Principal Activities Expenses			
Depreciation of fixed assets	10	(176,446)	(120,565)
General and administrative expenses	17	(12,783,181)	(10,501,444)
Net Income from Principal Activities		2,502,631	9,184,998
Results from Other Activities:			
Gain on sale of fixed assets		4,000	-
Other revenues		443,565	532,901
Net Income for the year before Zakat		2,950,196	9,717,899
Estimated Zakat	22	(1,226,470)	(2,077,945)
Net Income for the year		1,723,726	7,639,954
Earnings per share for net income from principal activities	18	0.42	1.53
Earnings per share for Net Income for the year	18	0.29	1.27

The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements

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Osool & Bakheet Investment Company
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 Statement of Cash Flows
 For the Year Ended 31 December 2016

"All figures are stated in Saudi Riyals"

	31/12/2016	31/12/2015
Cash Flows From Operating Activities:		
Net income for the year	1,723,726	7,639,954
Adjustments for:		
Depreciation of fixed asset	176,446	120,565
Gain from sale of fixed assets	(4,000)	-
Unrealized (gains)/losses from investments in Trading funds & Securities	(414,530)	761,051
Provision for end-of-service benefits charged to expenses	449,510	272,440
Provision for zakat	1,226,470	2,077,945
Adjustments to Zakat provision	(93,513)	20,750
Adjustments to Accumulated depreciation	-	144
	3,064,109	10,892,849
Changes in Operating Assets and Liabilities:		
Accounts receivables - net	764,408	388,696
Clients lending	15,060,506	(27,568,575)
Prepaid expenses and other debits	535,432	(27,261)
Accounts payables and accrued expenses	(283,792)	(922,913)
Provision for end-of-service paid	(105,960)	(261,862)
Zakat - paid	(2,005,182)	(2,111,604)
Net cash from/(used in) operating activities	17,029,521	(19,610,670)
Cash Flow From Investment Activities:		
Investments in Securities and Mutual Funds	3,957,810	(10,639,252)
Real Estate Investment	(27,000,000)	-
Fixed assets purchased	(231,234)	(126,126)
Change in the fair value of investments in securities	(4,417)	(18,723)
Proceeds from sale of fixed assets	4,000	-
Net cash used in investing activities	(23,273,841)	(10,784,101)
Cash flows from Financing Activities:		
Due to shareholders	(2,572,980)	825,271
Short term loans	12,000,000	10,000,000
Dividends paid	(3,000,000)	(12,000,000)
Net cash from/(used in) financing activities	6,427,020	(1,174,729)
Net change in cash and cash equivalents	182,700	(31,569,500)
Cash and cash equivalents at beginning of the year	27,423,014	58,992,514
Cash and Cash Equivalents at End of the year	27,605,714	27,423,014
Supplementary Information For Non-Cash Activities:		
Proposed dividends	-	3,000,000
Board of directors' remunerations	-	229,199

The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements



Osool & Bakheet Investment Company
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 Statement of Changes in Shareholder's Equity
 For the Year Ended 31 December 2016

"All figures are stated in Saudi Riyals"

	Capital	Statutory Reserve	Proposed Dividends	Unrealized losses from Available for Sale Investments	Retained Earnings	Total
2015						
Balance as of 01 Jan 2015	60,000,000	1,800,264	6,000,000	(16,041)	9,896,379	77,680,602
* Dividends paid during the year	-	-	-	-	(6,000,000)	(6,000,000)
Paying Proposed Dividends of last year	-	-	(6,000,000)	-	-	(6,000,000)
Net income for the year	-	-	-	-	7,639,954	7,639,954
Unrealized losses from Available for sale investments	-	-	-	(18,723)	(3,000,000)	(18,723)
Proposed dividends	-	-	3,000,000	-	(229,199)	(229,199)
Board of directors' remuneration	-	-	-	-	(763,995)	-
Transferred to statutory reserve	-	763,995	-	-	-	-
Balance as of 31 December 2015	60,000,000	2,564,259	3,000,000	(34,764)	7,543,139	73,072,634
2016						
Balance as of 01 Jan 2016	60,000,000	2,564,259	3,000,000	(34,764)	7,543,139	73,072,634
Paying Proposed Dividends of last year	-	-	(3,000,000)	-	-	(3,000,000)
Net income for the year	-	-	-	-	1,723,726	1,723,726
Unrealized losses from Available for sale investments	-	-	-	(4,417)	-	(4,417)
Transferred to statutory reserve	-	172,373	-	-	(172,373)	-
Balance as of 31 December 2016	60,000,000	2,736,632	-	(39,181)	9,094,492	71,791,943

The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements

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Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2016

"All figures are stated in Saudi Riyals"

1- Formation and Nature of Business:

Osool & Bakheet Investment Company – Saudi Closed Joint Stock Company (referred to hereinafter as the "The Company") was established under the commercial registration No. 1010219805 issued in Riyadh on 02/05/1427H. The activity of the company includes acting as principal and agent, managing investment funds, managing portfolios of clients and custody in securities business pursuant to the approval of the Capital Market Authority No. 07/08126 on 23/01/1435H.

2- Summary of Significant Accounting Policies:

The financial statements are prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. The significant accounting policies applied consistently by the company in the preparation of these financial statements:

A. Accounting Convention:

These accounting statements have been prepared under the historical cost basis (except for investments in securities which are valued at fair value) using the accrual basis and going concern assumption.

B. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual result ultimately may differ from those estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

C. Cash and Cash Equivalents:

Cash and Cash equivalents comprise cash in hand, cash at banks and short term deposits with original maturities of three months or less.

D. Accounts Receivable:

Accounts receivable are carried at original invoice amount less provision for doubtful debts. The provision for doubtful debts is estimated based on an analysis of the collectability of individual receivable. Accounts receivable are considered uncollectible when all collection efforts are exhausted and are written-off against the provision for doubtful debts.



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E. Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation and impairment in value, if any. The cost of fixed assets less estimated residual value of fixed assets, except land, is depreciated on a straight line basis over their estimated useful lives using the following annual rates:

Equipment	20%
Furniture	15%
Vehicles	25%
Computers	33%
Telecommunication devices	25%

The cost and accumulated depreciation of sold or disposed assets are eliminated from the accounts upon its sale or disposal, any resulting gains or losses are included in the statement of income.

Repair and maintenance expenses that do not materially increase the asset's useful life or its production capacity are included in the income statement. Material improvements and replacements are capitalized when incurred. The replaced assets are eliminated from the records.

F. Impairment of Non-Currents Assets:

The company periodically reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.



G. Investment In Securities:

I- Available for Sale Investment:

Investments that are not held for trading or maturity are classified as investments available for sale. These investments are initially recorded at fair value in addition to direct transaction costs and are subsequently stated at fair value. Unrealized gain or loss from changes in fair value is recognized in the statement of changes in equity until the investment is de-recognized or the investment is determined to be impaired. On de-recognition or impairment of the cumulative gains or losses, previously reported in equity, are included in the statement of income. Fair value is determined based on the market value if an open market exists or by using alternative revaluation methods. Otherwise cost is considered to be fair value. Dividends from these investments are recognized in the income statement when the right of receipt is established.

II-Investment Held for Trading:

Investments held for trading purposes are stated initially at cost and are subsequently measured at fair value. These investments are classified in the financial position under current assets. Realized gains or losses from trading and unrealized gains or losses resulting from changes in fair values are included in the income statement.

H. Accounts Payable and Accruals:

Liabilities are recognized for amounts to be paid in future for goods or services received whether billed by the supplier or not.

I. Provision for End-of-Service Benefits:

End-of-service benefits, payable to employees upon their termination, are provided in the financial statements, in accordance with labor regulation in Kingdom of Saudi Arabia.

J. Revenue Recognition:

The revenue from stock brokerage service is recorded in the period where they are realized. The revenue of services rendered to clients, such as the internet services and consulting services, is recognized when these services are provided. The revenue from bank commissions on deposits at banks is recorded by calculating the term of such deposits on accrual basis.

The revenue realized on client's bank overdrafts is recognized pursuant to the concluded contract and for the period specified therein. As for Murabaha revenue, they are realized according to the terms and conditions of the contracts concluded with clients on the basis of Murabaha amounts and term.

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In addition, the revenue from portfolio and funds management fees is recorded at the date of realization according to the agreements concluded with the owners of those portfolios. The revenue resulting from consulting and financial information fees are recorded upon completion.

The fees related to portfolio positive performance are calculated at the end of each calendar quarter, and the company sends an invoice to the client according to the contract concluded with each client where the value of portfolio positive performance is determined.

K. Expenses:

Selling and marketing expenses are those that specifically relate to the selling and marketing functions of the company. All other expenses, except cost of revenues and finance expenses are classified as general and administrative expenses. Expenses are recognized in the income statement on the accrual basis in the period in which they are incurred. Allocations between selling, marketing and general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

L. Provision for Zakat:

Zakat is provided and recognized in the income statement for each financial period separately in accordance with the Saudi Arabian Department of Zakat and Income Tax (DZIT) regulations. Variances between the Zakat provision and final assessment of DZIT are charged to the income statement in the period when the final Zakat assessment is received.

M. Transactions in Foreign Currency:

Transactions in foreign currencies are translated in Saudi Riyals at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position's date are translated to Saudi Riyals at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the income statement as gains or losses.



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3- <u>Cash and Cash Equivalents</u>	31/12/2016	31/12/2015
Cash in hand	5,857	1,541
Unused cash in investment portfolio	2,016,328	1,541,592
Current accounts at local banks in Saudi Riyal	583,529	5,879,881
Bank deposit - Note (3/1)	25,000,000	20,000,000
	<u>27,605,714</u>	<u>27,423,014</u>

(3/1) The bank deposit indicated above has a maturity period less than three months.

4- <u>Investments Portfolio, Trading Funds</u>	31/12/2016	31/12/2015
Osool & Bakheet Qatari Trading Equity Funds (QTEF)	-	4,050,344
Osool & Bakheet IPO Trading Funds Sharia Compliant	9,987,876	10,000,000
Investment portfolio (managed by the company)	-	653,514
Total of Investment in Securities & Trading Funds	9,987,876	14,703,858
Unrealized (losses)/gains from investments portfolio and trading funds	414,530	(761,052)
	<u>10,402,406</u>	<u>13,942,806</u>

5- <u>Accounts Receivable - Net:</u>	31/12/2016	31/12/2015
Receivables related to DPM, Funds, Margin clients and Others	5,700,983	6,465,391
provision for doubtful debts - Note (5/1)	(2,715,724)	(2,715,724)
	<u>2,985,259</u>	<u>3,749,667</u>

(5/1) <u>Provision for Doubtful Debts:</u>	31/12/2016	31/12/2015
Provisions for Doubtful Debts at the Beginning of the Year	2,715,724	3,545,724
Used During the Year	-	(313,219)
* Transferred to Osool Capital	-	(516,781)
	<u>2,715,724</u>	<u>2,715,724</u>

*The amount Transferred to Osool Capital Company's Shareholders represents the provision that has been created by Osool Capital Company before the merger. It has been transferred to Osool capital company's shareholders as due as per the Board decision in the fourth meeting for 2015 dated 06/01/2016 based on decision of Committee for the Resolution of Securities Disputes No. (1456/L/D1/2015) for 1436 Hijri for appeal No. (34/149).



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6- Clients Lending:

a) This item represents lending to clients in the form of credit facilities and Murabaha loans. The facilities and loans are extended based on an evaluation and documentation for each client individually according to the information disclosed by the client and based on the company's conclusion on the appropriateness of the loan amount and terms to the client and in accordance with his prior written approval to the loan and in related conditions such as a promissory note for the loan amount, borrowing limits, terms and related fees. The loans and facilities granted to clients are due for collection as per the individual agreement with each client.

b) The outstanding balance of client lending in balance sheet is SAR 30,619,069 which includes balance of four clients amounting to SAR 29,077,069 constituting 95% of the total client lending

c) The client lending in the balance sheet includes SAR 3,073,136 represents as a letter of guarantee issued to one of the company client which is fully covered from company's bank account according to the signed agreement between the company and the client dated 04/11/1436 Hijri equivalent to 19/08/2015 and will expire on 18/08/2017.

7- Prepaid Expenses and Other debits:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Rent	76,913	626,166
Medical insurance	243,601	215,458
Licensing fees	84,317	19,197
Advanced payments	43,958	98,325
Employees loans	4,000	20,827
Professional Indemnity Insurance	46,681	54,247
Others	125,084	125,766
	<u>624,554</u>	<u>1,159,986</u>

8- Real Estate Investments

The real estate investments consist of land purchased with a total amount of SAR 27,000,000 (SAR 27 million) under the contract signed on 29/03/1438H corresponding to 28/12/2016, ownership has been transferred in pursuant to ownership deed No. 411908000110 dated 04/04/1438H, for the purpose of leasing back and has been re-leased it back to the seller under the contract signed with him on 30 December 2016 with a total value of 2,025,000 SAR per annum.

9- Available for Sale Investments

	<u>31/12/2016</u>	<u>31/12/2015</u>
Portfolios managed by company	119,991	118,454
Unrealized losses from available for sale investments	(39,181)	(34,764)
	<u>80,810</u>	<u>83,690</u>



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 For the Year Ended 31 December 2016

"All figures are stated in Saudi Riyals"

10- Fixed Assets - Net:

	Equipment	Furniture	Vehicles	Computers	Telecommunication Devices	Total
Cost:						
The cost of the assets as of January 01, 2016	539,152	3,026,637	123,000	2,568,111	2,415,789	8,672,689
Additions during the year	-	9,000	-	221,035	1,199	231,234
Adjustments during the year	-	-	(28,000)	-	-	(28,000)
Cost of the assets as of December 31, 2016	539,152	3,035,637	95,000	2,789,146	2,416,988	8,875,923
Less: Accumulated depreciation:						
Accumulated depreciation as of January 01, 2016	529,736	3,026,637	123,000	2,481,266	2,188,894	8,349,533
Depreciation for the year	2,933	1,194	-	73,354	98,965	176,446
Adjustments during the year	-	-	(28,000)	-	-	(28,000)
Accumulated depreciation as of December 31, 2016	532,669	3,027,831	95,000	2,554,620	2,287,859	8,497,979
Net book value:						
As of December 31, 2016	6,483	7,806	-	234,526	129,129	377,944
As of December 31, 2015	9,416	-	-	86,845	226,895	323,156

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Osool & Bakheet Investment Company
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11- Short Term Loans:

The Company has renewed facilities agreement with local bank amounting 125,000,000 SAR. The facilities has been categorized into short term loan and overdraft as the following details :

1-	<u>Item</u>	<u>Explanation</u>
	Finance Type	Short Term Loan
	Finance Limit	100,000,000 SAR
	Guarantee	Joint guarantee of finance value from Mr. Abdulrahman Yahya Abdullah AL-Yahya and Mr. Beshr Bin Mohammed Bin Borhan Bakheet

2-	<u>Item</u>	<u>Explanation</u>
	Finance Type	Overdraft
	Finance Limit	25,000,000 SAR
	Guarantee	- Portfolio mortgage for shares acceptable for Saudi French Bank with coverage 150% of the general amount of Facility. Or - Cash deposit mortgage with coverage of 100% of total facilities amount.

Note: The company borrowed as a short term loan with amount of 39,000,000 SAR during the year 2016.

12- Accounts Payable and Accrued Expenses

	<u>31/12/2016</u>	<u>31/12/2015</u>
Suppliers	157,364	100,009
Accrued Expenses	1,127,158	1,507,309
Professional Fees	248,622	209,618
	<u>1,533,144</u>	<u>1,816,936</u>

13- Due to Shareholders:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Due to Osool company shareholders	-	549,978
Unpaid dividend to shareholders	23,000	106,229
Other due to shareholders (13/1)	-	1,939,773
	<u>23,000</u>	<u>2,595,980</u>

(13/1) This item represents the amounts due to shareholders resulting from the merger, as the capital of the company was decreased, losses were closed in the accounts of shareholders in proportion to their share and the remaining surplus was credited to the accounts of the shareholders in addition to dividends paid during 2015, and the amounts have been settled and repaid during 2016.

14- Provision for End-of-Service Benefits:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Opening balance	1,132,492	1,121,914
Charged to expenses for the year	449,510	272,440
Paid during the year	(105,960)	(261,862)
	<u>1,476,042</u>	<u>1,132,492</u>

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15- SHARE CAPITAL:

Share capital was determined to be 60,000,000 SAR divided into 6,000,000 equal cash shares. The value of each share is 10 SAR and all are ordinary shares. The founders had subscribed to all the shares of capital as follows:

	Nationality	Share value	Ownership Percentage	Total
Beshr bin Mohammed Borhan bin Yasin Bakheet	saudi	10	29.56%	17,734,970
Abdul -Rahman Yahya Abdullah Al-Yahya	saudi	10	12.71%	7,622,290
Saleh Mohammed Saleh Al-Hajjaj	saudi	10	12.50%	7,500,000
Sultan Yahya Abdullah AL-Yahya	saudi	10	5.75%	3,450,000
Mansour Yahya Abdullah AL-Yahya	saudi	10	5.75%	3,450,000
Khalid Abdul-Rahman Mohammed Al-Mousa	saudi	10	3.63%	2,175,000
Abdullah Yahya Abdullah Al-Yahya	saudi	10	3.33%	2,000,000
Abdual-Mohsen Abdul-Rahman Al-Mousa	saudi	10	3.13%	1,875,000
Raad Abdul -Aziz Mohammed Al Abdul-Qader	saudi	10	2.00%	1,200,000
Mohammed Abdullah Abdul-Aziz Al-Rowaished	saudi	10	1.87%	1,125,000
Mansour Abdullah Abdul- Aziz Al-Rajhi	saudi	10	1.86%	1,115,420
Jamil Abdul- Rahman Mohammed Al-Qonaibet	saudi	10	1.70%	1,022,500
Saud Abdul-Allah Solaiman Al-Rajhi	saudi	10	1.02%	609,290
Khaled Suleiman Hamad Al-Saeed	saudi	10	0.84%	506,130
Al-Touq Holding Company	saudi	10	0.84%	506,130
Ammar Abdul-Wahed Faleh Al- Khodhari	saudi	10	0.84%	506,130
Abdullah Faisal Turki Al-Abdulla Al Saud	saudi	10	0.77%	460,000
Tareq Motlaq Abdullah AL Motlaq	saudi	10	0.77%	460,000
Hamed Hamad Suleiman Al-Hamidi	saudi	10	0.77%	460,000
Samya Bint Yahya Abdullah AL-Yahya	saudi	10	0.75%	450,000
Abdullah Abdual-Rahman Abdullah Al-Khodhar	saudi	10	0.69%	412,610
Ahmed Suleiman Abdul-Qadar Banajeh	saudi	10	0.69%	412,610
Fahed Mohammed Abdul-Aziz bin Zarah	saudi	10	0.69%	412,610
Abual- Aziz Abdul -Latif Bakr Jazzar	saudi	10	0.66%	393,350
Ibrahim Saad Ebrahim Abu- Muti	saudi	10	0.66%	393,350
Samra Abdullah Ebrahim Al-Qweez	saudi	10	0.50%	300,000
Rajhi Real Estate Company	saudi	10	0.50%	300,000
Abdul-Rahman Abdul-Latif Ali Al- Issa	saudi	10	0.41%	247,570
Ahmed Mohammed Salem Al-Sirri	saudi	10	0.34%	206,310
Abdullah Abdul-Aziz Abdullah Al-Fallaj	saudi	10	0.34%	206,310
Mutaz Talaat Mohammed Bakheet	saudi	10	0.34%	206,310
Abdul-Hadi Ali Saif Shayef	saudi	10	0.34%	206,310
Abdul- Elah Ahmad Abdul -Elah- Al Darweesh	saudi	10	0.34%	206,310
Aamer Afif Mohammed Al-Mahmasani	saudi	10	0.34%	206,310
Raed Mosaed Khaled Al-Sdairi	saudi	10	0.34%	206,310
Hassan Shkib Murad Al-Jabiri	saudi	10	0.34%	206,310
Abdul- Rahman Mohammed Abdul-Aziz bin Zarah	saudi	10	0.34%	206,310
Omar Abdul-Qader Mohammed Bajamal	saudi	10	0.34%	206,310
Mohammed Abdul-Karim Ali Al-luhidan	saudi	10	0.31%	187,500
Mohammed Abdullah Abdul-Rahman Al-Shoail	saudi	10	0.31%	187,500
Khaled Mohamed Abdullah Al-haqil	saudi	10	0.17%	103,160
Nasser Saeed bin Ali Kedssa	saudi	10	0.17%	103,150
Khaled Abdul-Haffiz Mohamed Fada	saudi	10	0.15%	91,910
Saleh Abdulaziz Babkr and Sons Trading and Pledges Company	saudi	10	0.12%	75,000
Mosad Mohammed Hammad bin Aniq	saudi	10	0.08%	48,220
Nezar Abdul-Rahman Abdul-Aziz Al -Mugren	saudi	10	0.02%	10,000
Abdul-Wahab Abdul-karem Abdul-Rahman Al - Betairi	saudi	10	0.02%	10,000
Khaled Saud Abdul-Aziz Al-Doghaither	saudi	10	0.02%	10,000
Fahad Abdullah Abdul-Aziz Al -Rajhi	saudi	10	0.01%	5,500
Hany Samy Ali Halwany	saudi	10	0.01%	5,000
			100.00%	60,000,000

(14)



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16- Statutory Reserve :

According to the Saudi Companies' Regulations, the company retains 10% of its annual net income as statutory reserve. This deduction could be discontinued if the reserve reached 30% of the company's capital, although this reserve is not available for distribution.

17- General and Administrative Expenses:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Salaries, wages and others	8,502,370	5,554,717
Rents	856,905	937,298
Costs of information service	1,629,720	1,557,681
Professional and medical insurance	501,548	396,654
Professional and legal fees	280,907	289,224
Bonuses	299,220	868,681
Advertising	-	20,720
Others	712,511	876,469
	<u>12,783,181</u>	<u>10,501,444</u>

18- Earnings per Share:

Earnings per share from principal activities and net income for the year are calculated by dividing net income from principal activities and net income for the year respectively over numbers of weighted average of outstanding shares at the end of the year.

19- Segment Information:

The company does not have separate business segments and most of its activities are based inside KSA, accordingly segment information is inapplicable.

20- Investment funds:

The company manages investment funds represented in:

- a) Osool & Bakheet Saudi trading Equity Fund, which invests in Saudi stocks, with net asset value of SAR 16,179,054 on 31/12/2016.
- b) Osool & Bakheet IPO Fund with net asset value of SAR 263,657,025 on 31/12/2016.
- c) The Malaga Residential Complex Funds with net asset value of SAR 111,271,605 on 31/12/2016.
- d) Osool & Bakheet IPO Trading Funds Sharia Compliant with net asset value of SAR 14,834,445 on 31/12/2016.

21- Funds held in client money bank account:

According to the requirement of Capital Market Authority (Article 78) of the Authorized Persons List, the bank accounts held by the Company, included local bank accounts (Samba Financial Group) and (Saudi French Bank) with balances, as of 31 December 2016, amounting to SAR 139,916,452 represented in investment accounts, currents accounts, clients deposits and as well as account of fees & subscriptions of clients.



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22- **Provision for Zakat :**

	<u>31/12/2016</u>	<u>31/12/2015</u>
Balance at the beginning of the year	3,743,852	3,756,761
Created during the year (22/1)	1,226,470	2,077,945
Paid during the year	(2,005,182)	(2,111,604)
Adjustments during the year	(93,513)	20,750
	<u>2,871,627</u>	<u>3,743,852</u>

- The outstanding balance of Zakat Provision includes SAR 1,645,175. This amount represents the dispute between Osool Capital Company and the Department of Zakat and Income Tax. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet.

- The company presented the return of zakat until 31 December 2015, and there is no final assessment from zakat.

(22/1) **Created during the year:**

	<u>31/12/2016</u>	<u>31/12/2015</u>
Net income for the year	2,950,196	9,717,899
Add:		
End of service benefits charged to expenses	449,510	272,440
Adjusted net income for the year	3,399,706	9,990,339
Add:		
Share capital	60,000,000	60,000,000
Statutory reserve at the beginning of the year	2,564,259	1,800,264
Retained earnings	7,543,139	9,896,379
Due to Osool company shareholders	23,000	2,595,980
Provision for end of service benefits at the beginning of the year after deducting the paid	1,026,532	860,052
Provision of Zakat at the beginning of the period	1,645,157	1,665,907
Accrued Employee Bonuses	577,033	-
Provision of doubtful debts at the beginning of the year after deducting the paid	2,715,724	2,715,724
Total amounts subject to Zakat	79,494,550	89,524,645
Less:		
Net book value of fixed assets	(377,944)	(323,156)
Real Estate Investments	(27,000,000)	
Dividend during the year	(2,977,000)	(6,000,000)
Investment available for sales	(80,810)	(83,690)
Net amounts subject to Zakat	49,058,796	83,117,799
Estimated provision of Zakat @ 2.5 %	<u>1,226,470</u>	<u>2,077,945</u>



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23- Transactions with Related Parties:		Transaction Amount
Related party	Transaction Type	
Funds of Osool & Bakheet Investment Company	Fund Management & Custody	9,552,036
Board of Directors	Remuneration & Attendance Allowance	580,199
Abdul-Rahman Yahya Al-Yahya (Board Member)	Lending Commissions (Due)	157,082
Abdul -Rahman Yahya Al-Yahya (Board Member)	Lending Balance (Outstanding)	5,350,000
Osool & Bakheet IPO Fund	Lending Commission (Received)	46,667
Osool & Bakheet IPO Fund	Lending Balance (Paid)	32,000,000

24- Capital Adequacy

The capital adequacy prepared by management is according to the requirements of capital market authority, is presented as follows:

	31/12/2016	31/12/2015
	SAR.000	SAR.000
Capital Basis		
Tier -1 of Capital	71,792	72,312
Tier -2 of Capital	-	-
Total	71,792	72,312
Minimum Capital requirement		
Credit Risks	27,826	12,034
Market Risks	1,664	2,310
Operational Risks	3,547	3,992
Total	33,037	18,336
Capital Adequacy Ratio	2.17	3.94
Surplus	38,755	53,976

- The Pillar Three annual report will be published on the company website www.obic.com.sa
- External Auditor has prepared a separate report to confirm the accuracy of the calculation for Minimum Capital Requirements.

25- Contingent Assets and Liabilities

Subject	Contingent Asset
Amount	6,687,619
Description	<ul style="list-style-type: none"> • SAR 3,600,905 represents the value of complaints filed by Bakheet Investment Group to the Committee for the Resolution of Securities Disputes against its client and the case has not been resolved yet. • SAR 2,077,503 represents the value of complaints filed by Bakheet Investment Group to the Committee for the Resolution of Securities Disputes against its client. A final decision No. 1097/SP/2016 dated 1437H of the Securities Dispute Appeals Committee was issued on 07/11/1437H corresponding 10/08/2016 to the benefit of the company, and the client is obligated to pay the amount. The company received a check with amount on 19/02/2017 in pursuant to final Committee decision. • SAR 1,009,211 represents the value of appeal registered by Bakheet Investment Group to the Department of Zakat and Income for the period from 2007 to 2013. Bakheet Investment Group paid this amount in order to complete the merger process by cancelling commercial register. This case has not been resolved yet. It is worth mentioning that in case of collecting these amounts, It will be entitled to Bakheet Investment Group's shareholders according to article numbers (1/1/1/3), (2/1/1/3), (1/8) in the merger contract.



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<u>Subject</u>	<u>Contingent Liability</u>
<u>Amount</u>	1,645,157
<u>Description</u>	<p>• SAR 1,645,175 represents the amount has been provisioned due to dispute between Osool Capital Company and the Department of Zakat and Income Tax relating to the years 2012 and 2013 before merger. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet. It is worth mentioning that in case of collecting these amounts, It will be entitled to Osool Capital Company's shareholders according to article number (1/1/1/3), (2/1/1/3), (1/8) in the merger contract.</p>

26- **Management of Risk & Financial Instruments :**

a- **Credit Risk :**

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The company seeks to limit its credit risk with respect to accounts receivable by setting credit limits for individual accounts and monitoring outstanding receivable.

b- **Interest Rate Risk :**

Interest rate risk arises from the possibility of the fluctuation of interest rates that may affect future profitability or the fair value of financial instrument. The company is subject to interest rate risk on assets and liabilities that bear interest.

c- **Currency risk :**

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuation as the company primarily deals in Saudi riyals and US dollar which is pegged to Saudi riyals.

d- **Liquidity Risk :**

Liquidity risk is the risk that the company will not be able to meet its commitments associated with the financial liabilities when they fall due.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

27- **Fair Values :**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Since these financial statements have been prepared under the historical cost convention, differences between the carrying values and fair values may occur. Management believes that the fair values of the company's financial instruments are not materially different from their carrying values.

28- **Approval of Financial Statements:**

Company board of directors approved the financial statements on March 26, 2017.

29- **General:**

The figures included in the financial statements are rounded to the nearest Saudi Riyal except the earnings per share.

Certain comparative figures have been reclassified to conform to current year presentation.

